

KENTUCKY ECONOMIC INDICATORS

July 2007 as of September 20, 2007

KY Composite Index of Leading Indicators increased by 0.3 percent in July.

- The Leading Index increased for the third time this year.
- Year-over-year growth decreased by 0.2 percent.
- The component indicators leaned positive, 3:2.
 - KY Labor Intensity Index decreased 0.2 percent.
 - + KY Index of Initial UI Claims increased by 6.5 percent.
 - + US Retail Sales increased by 6.0 percent.
 - + US Manufacturer's New Orders Index increased 48.9 percent.
 - Louisville Help Wanted Index decreased by 5 points to 23.

Component weights for July are 69.1, 13.3, 11.5, 4.9 and 1.2 respectively.

KY Composite Index of Coincident Indicators increased by 2.7 percent in July.

- The Coincident Index is positive for the second consecutive month.
- Year-over-year growth is positive for the forty-eighth consecutive month at 1.7 percent.
- Component indicators are mostly positive 2:1.
 - KY Nonagricultural Employment decreased 0.7 percent.
 - + US Industrial Production Index increased 6.4 percent.
 - + US Personal Income Less Transfers increased 5.2 percent.

Component weights for July are 37.6, 31.4 and 18.5 respectively. Component weights do not sum to one because the two US components were discounted to give the Kentucky component more weight.

The Kentucky Leading Index for July grew by 0.3 percent. This is only the third increase in the Kentucky Leading Index in 2007. However, several component indicators reversed course this month. Four out of five Leading Index components were negative in June. For July, three out of five components are positive. Overall, the index is down by two-tenths of a point over July 2006.

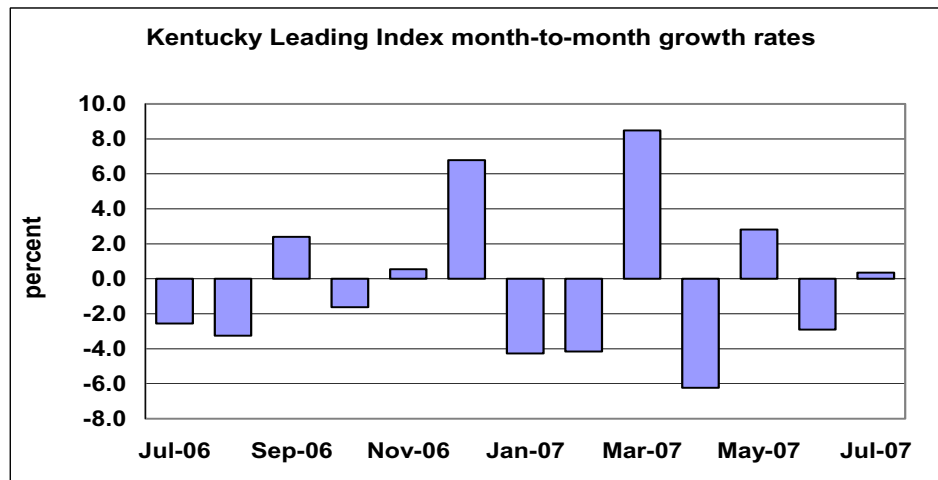
The method for computing the Kentucky Labor Intensity Index has been altered in the following way. The Kentucky Labor Intensity Index is based on employment and average weekly hours for five manufacturing sectors. December 2002 was the last year that this data was produced using Standard Industrial Classification (SIC) data. Thereafter the data was produced according to the North American Industrial Classification System (NAICS). The Bureau of Labor Statistics recently removed the old Rubber and Plastic Products category and replaced it with a similar Petroleum, Coal, Rubber and Plastics category. These two employment classifications have very similar employment figures for Kentucky, and the new series passed the three-pronged test to be included in the Leading Index. Normally, the Kentucky Leading Index requires that all components have a history going back to July 1978. Data for this new series based on NAICS is available only back to January 1990. Attempts to backcast this series to the 1978 period yielded unsatisfactory results. Therefore the decision has been made to use a new starting point, January 1990, for all five employment series. The results of this change lead to some small changes in the Kentucky Labor Intensity Index in absolute level particularly in the last nine months. The signs of month-to-month growth were unaffected. Only the magnitudes were affected slightly and this was expected. Similarly, there were extremely small changes in month-to-month growth rates in the Kentucky Leading Index. The new implementation did not lead to any sign changes in the Kentucky Leading Index.

The largest weighted component, Kentucky Labor Intensity Index, decreased marginally in July to 104.5. There have been a series of declines since January 2007 leading to the loss of a half point in absolute level. There was a short-lived surge in the Kentucky Labor Intensity Index in early 2006 and since then there has been no upward movement in this series.

The biggest mover for July is the Louisville Help Wanted Index, which is the other series to decline this month. It declined by 5 points to a new all-time low of 23.0. This series has been troubling for some time now. It has declined for nearly seven straight years. There is some possibility that online advertising is replacing some portion of hardcopy advertisements in newspapers and therefore the Help Wanted Index is no longer capturing the employment market the way it used to do. The Conference Board now publishes a new Online Help Wanted Index, which has similar indices for the US, the southern region and Louisville. The Online Help Wanted data was started in 2005. Therefore insufficient observations exist to test the series and compute a useful weight with other series. The Help Wanted Index provides a different perspective on the labor market apart from how well employment or unemployment is doing contemporaneously. That is, part of its value to the Leading Index is that it leads the economy instead of tracking with it.

The second-largest mover for July is the US Manufacturer's New Orders Index which rose by 48.9 percent. New Orders of Consumer Goods and Materials rose by a non-annualized 2.9 percent and non-defense capital goods rose by a non-annualized 5.4 percent. This series has performed well recently, with only two negative months this year. The New Orders Index is up a net 8.2 points for the year.

Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete description of the Index of Leading Indicators and methodology was published in the University of Kentucky Center for Business and Economic Research *Kentucky Annual Economic Report, 2000*.



About the Indicators

Kentucky Reference Series

Inflation-adjusted personal income less transfer payments and policy-adjusted general fund tax receipts are combined to form the GOEA composite reference series.

Kentucky Leading Indicators

- **GOEA Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: Lumber products; chemical and allied products; petroleum, coal, rubber and plastic products; fabricated metals and transportation equipment.
- **GOEA Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly.
- **U.S. Retail Sales:** During turning points in the Kentucky economy, U.S. Retail Sales was not strictly concave or convex to the origin. For this reason inflexion points were used to test turning points in the U.S. Retail Sales series. U.S. Manufacturing and Trade Sales performed better than U.S. Retail Sales in testing, but because U.S. Manufacturing and Trade Sales was not published in a timely manner it had to be removed from the Kentucky Leading Index.
- **U.S. Manufacturer's New Orders Index:** This index has two components: US Manufacturer's New Orders for Nondefense Capital Goods and US Manufacturer's New Orders for Consumer Goods and Materials. Separately these two series slightly missed one or two turning points in the official reference series. But together they preceded each turning point.
- **Louisville Help-Wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.

Table Notes:

- 1) Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- 2) More information is available on our website, www.osbd.ky.gov

*Office of State Budget Director
Room 284, Capitol Annex
Frankfort, Kentucky 40601-3453*

*Thomas Jones
Phone: 502-564-7300
taj@ky.gov*

**SELECTED KENTUCKY ECONOMIC INDICATORS
SEASONALLY ADJUSTED**

	2006						2007						
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL
KY Leading Index (1992=100)	112.9	112.6	112.9	112.7	112.8	113.4	113.0	112.6	113.3	112.7	113.0	112.7	112.7
	-2.6	-3.3	2.4	-1.6	0.5	6.8	-4.3	-4.2	8.5	-6.2	2.8	-2.9	0.3
	0.6	0.2	0.5	0.0	-0.3	0.2	-0.5	-0.6	0.0	-0.5	0.1	-0.4	-0.2
	53.3	53.3	53.3	56.7	63.3	63.3	66.7	66.7	70.0	63.3	66.7	53.3	53.3
KY Coincident Index (1992=100)	135.2	135.5	135.5	135.8	135.8	136.2	136.1	136.6	136.7	136.9	136.9	137.1	137.4
	-0.8	2.6	0.5	2.3	-0.2	4.1	-1.0	4.0	1.7	1.7	-0.5	2.3	2.7
	2.2	3.0	2.8	2.6	1.9	1.9	1.6	1.8	1.6	1.6	1.6	1.4	1.7
KY Non-farm Employment (000s)	1,838.9	1,846.3	1,845.8	1,844.0	1,846.1	1,850.9	1,854.3	1,854.1	1,858.8	1,856.7	1,856.8	1,854.6	1,853.5
	-4.3	4.9	-0.3	-1.2	1.4	3.2	2.2	-0.1	3.1	-1.3	0.1	-1.4	-0.7
	0.8	0.8	0.8	0.8	0.6	0.9	0.7	0.6	0.5	0.8	0.6	0.5	0.8
KY Private Services Employment (000s)	1,158.1	1,158.2	1,160.5	1,160.8	1,161.7	1,163.9	1,169.9	1,170.9	1,174.9	1,170.2	1,171.8	1,171.2	1,169.7
	-3.7	0.1	2.4	0.3	1.0	2.3	6.3	1.0	4.2	-4.7	1.6	-0.6	-1.5
	1.1	1.0	1.0	1.3	1.1	1.2	1.4	1.3	1.0	1.0	1.0	0.8	1.0
KY Mfg Employment (000s)	257.6	261.1	261.3	259.4	260.6	262.1	260.9	259.7	255.7	260.1	257.0	257.4	257.4
	-18.8	17.6	0.9	-8.4	5.7	7.1	-5.4	-5.4	-17.0	22.7	-13.4	1.9	0.0
	0.3	-0.3	-0.3	-1.1	-1.0	0.1	-0.9	-1.3	-2.8	-0.9	-1.8	-1.8	-0.1
KY Unemployment Rate (%)	5.7	5.7	5.7	5.7	5.6	5.4	5.6	5.7	5.4	5.3	5.5	5.4	5.7
KY Index of Initial UI Claims (1992=100)	103.6	102.3	102.9	103.1	102.7	103.4	103.8	102.2	103.6	102.7	104.0	103.6	104.2
	-2.9	-13.5	7.1	2.0	-5.0	9.7	4.5	-17.5	18.0	-9.8	15.8	-3.6	6.5
	0.3	-0.8	2.2	0.3	-1.0	-0.3	-1.1	-2.0	-0.4	-1.5	0.9	-0.2	0.6
KY Labor Intensity Index (1992=100)	105.0	105.0	105.0	104.8	104.8	105.0	105.0	104.9	104.7	104.8	104.7	104.6	104.5
	-2.4	0.0	-0.3	-1.4	-0.1	1.7	0.9	-1.6	-2.1	0.8	-1.2	-1.5	-0.2
	0.4	0.3	0.2	0.1	0.0	0.0	-0.1	-0.3	-0.5	-0.3	-0.3	-0.6	-0.4
Louisville HWI (1992=100)	34.0	32.0	35.0	36.0	38.0	42.0	35.0	31.0	43.0	29.0	30.0	28.0	23.0
	-63.7	-51.7	193.1	40.2	91.3	232.3	-88.8	-76.7	4,973.2	-99.1	50.2	-56.3	-90.6
	-17.1	-30.4	-37.5	-33.3	-26.9	-19.2	-20.5	-26.2	7.5	-27.5	-14.3	-24.3	-32.4
GF Total Tax Receipts (\$ mill)	578.7	553.1	834.7	630.1	630.7	881.4	682.8	544.3	652.7	671.9	784.7	788.6	608.6
	0.8	-0.4	7.2	-0.4	-0.1	5.4	0.2	7.1	9.1	-11.2	11.3	-2.5	5.2
GF Sales & Use Receipts (\$ mill)	249.3	230.4	224.0	242.5	223.8	238.9	286.2	193.6	212.5	202.4	270.9	243.0	251.0
	4.6	6.0	-2.4	2.9	2.4	4.4	-1.0	1.3	3.9	-12.2	15.1	5.3	0.7
GF Income Tax Receipts (\$ mill)	228.6	227.4	281.8	248.4	242.6	269.2	202.1	227.1	204.0	283.4	337.8	289.0	249.2
	-4.0	-9.3	1.4	-4.2	3.7	5.9	-8.5	14.1	19.0	-16.7	58.6	11.4	9.0

SELECTED U.S. ECONOMIC INDICATORS SEASONALLY ADJUSTED

	2006								2007				
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL
US Leading Index (1996=100)	137.5	137.0	137.6	137.6	137.6	138.4	137.9	137.1	137.9	137.6	137.9	137.7	138.7
% Chg Previous Month SAAR	-2.6	-4.3	5.4	0.0	0.0	7.2	-4.3	-6.7	7.2	-2.6	2.6	-1.7	9.1
% Chg Same Month Last Year	0.7	0.2	1.4	0.7	-0.2	0.1	-0.5	-0.6	-0.4	-0.4	0.2	-0.1	0.9
US Coincident Index (1996=100)	122.2	122.5	122.6	123.0	123.0	123.4	123.3	123.5	123.8	124.0	124.1	124.2	124.5
% Chg Previous Month SAAR	2.0	3.0	1.0	4.0	0.0	4.0	-1.0	2.0	3.0	2.0	1.0	1.0	2.9
% Chg Same Month Last Year	2.2	3.2	2.8	2.8	2.2	2.2	1.8	1.8	1.8	1.9	1.9	1.8	1.9
US Non-farm Employment (Mil.)	136.3	136.4	136.6	136.7	136.9	137.2	137.3	137.4	137.6	137.7	137.9	138.0	138.0
% Chg Previous Month SAAR	2.0	1.7	1.8	1.0	1.7	2.0	1.4	0.8	1.5	1.1	1.7	0.6	0.6
% Chg Same Month Last Year	1.7	1.7	1.8	1.8	1.7	1.7	1.6	1.5	1.4	1.4	1.5	1.4	1.3
US Service-Providing Employment (Mil.)	113.6	113.8	114.0	114.2	114.4	114.6	114.8	115.0	115.1	115.3	115.5	115.6	115.7
% Chg Previous Month SAAR	2.3	1.9	2.2	1.7	2.6	2.4	1.3	1.9	1.5	1.7	2.1	1.4	1.1
% Chg Same Month Last Year	1.7	1.7	1.8	1.9	1.9	1.9	1.9	1.8	1.8	1.8	1.9	1.9	1.8
US Manufacturing Employment (000s)	14,229.0	14,218.0	14,206.0	14,166.0	14,143.0	14,131.0	14,130.0	14,113.0	14,090.0	14,072.0	14,069.0	14,056.0	14,054.0
% Chg Previous Month SAAR	-0.8	-0.9	-1.0	-3.3	-1.9	-1.0	-0.1	-1.4	-1.9	-1.5	-0.3	-1.1	-0.2
% Chg Same Month Last Year	0.1	0.1	0.2	-0.2	-0.4	-0.5	-0.6	-0.7	-0.9	-1.1	-1.0	-1.3	-1.2
US Unemployment Rate (%)	4.8	4.7	4.6	4.4	4.5	4.5	4.6	4.5	4.4	4.5	4.5	4.5	4.6
US Manufacturer's New Orders Index (1996=100)	131.2	129.4	132.2	129.0	129.0	132.3	125.7	126.2	129.8	130.5	128.3	129.5	133.9
% Chg Previous Month SAAR	-11.2	-14.7	28.7	-25.1	0.1	34.8	-45.9	5.1	39.7	6.6	-18.0	11.5	48.9
% Chg Same Month Last Year	1.0	-3.0	0.6	-2.6	-6.0	-3.0	-5.3	-4.7	-4.0	-1.5	-2.9	-2.2	2.1
US Initial Claims for UI (000s)	312.7	316.3	315.3	314.1	327.4	320.0	310.3	338.2	316.3	328.9	307.6	319.6	306.0
% Chg Previous Month SAAR	12.3	14.7	-3.7	-4.5	64.5	-24.0	-30.9	181.0	-55.2	59.8	-55.2	58.3	-40.7
% Chg Same Month Last Year	-2.2	-0.1	-20.2	-8.2	3.8	1.9	6.9	10.9	3.0	5.5	-7.2	3.2	-2.1
US Industrial Production Index (1992=100)	112.3	112.5	112.2	112.0	111.5	112.2	111.7	112.5	112.4	113.1	113.0	113.6	114.2
% Chg Previous Month SAAR	4.9	2.3	-3.7	-1.8	-4.9	7.8	-5.7	9.5	-1.1	6.9	-1.2	6.9	6.4
% Chg Same Month Last Year	4.7	4.6	6.0	4.6	3.0	2.8	2.4	2.9	2.2	1.9	1.9	1.5	1.7
US Personal Income Less Trans. (Bil. 2000 chnd)	8,121.9	8,124.7	8,189.6	8,310.5	8,344.2	8,363.9	8,362.8	8,406.7	8,439.9	8,443.3	8,437.4	8,463.6	8,499.7
% Chg Previous Month SAAR	-3.7	0.4	10.0	19.2	5.0	2.9	-0.2	6.5	4.8	0.5	-0.8	3.8	5.2
% Chg Same Month Last Year	2.3	7.0	3.6	4.7	4.1	3.5	3.4	3.7	4.0	3.9	4.2	3.9	4.7
CPI, All Urban (1982-84=100)	203.2	203.8	202.7	201.8	201.9	202.8	203.2	203.9	205.1	206.0	207.4	207.8	208.0
% Chg Previous Month SAAR	4.8	3.6	-6.3	-5.2	0.6	5.5	2.1	4.5	7.5	5.1	8.4	2.3	1.4
% Chg Same Month Last Year	4.2	3.9	2.1	1.3	2.0	2.5	2.1	2.4	2.8	2.6	2.7	2.7	2.4
US Retail Sales (\$Billions)	363.6	364.0	362.0	362.0	363.2	367.3	367.2	369.3	372.9	371.7	377.7	374.7	376.6
% Chg Previous Month SAAR	11.0	1.2	-6.5	0.0	4.2	14.4	-0.4	6.9	12.2	-3.8	21.3	-9.0	6.0
% Chg Same Month Last Year	4.5	6.2	5.4	4.9	4.5	5.6	2.2	3.6	4.4	2.8	5.1	4.0	3.6
US Consumer Expectations (1966=100)	72.5	68.0	78.2	84.8	83.2	81.2	87.6	81.5	78.7	75.9	77.6	74.7	81.5
% Chg Previous Month AR	8.7	-53.6	435.0	164.4	-20.4	-25.3	148.5	-57.9	-34.3	-35.3	30.4	-36.7	184.5
% Chg Same Month Last Year	-15.2	-11.6	23.5	34.2	19.5	1.2	11.0	9.4	3.6	3.4	13.8	3.8	12.4
Ave. Prime Interest Rate (%; NSA)	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25